

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

SOUTH CENTRAL BELL TELEPHONE)	
COMPANY'S EXPERIMENTAL INCENTIVE)	CASE NO. 89-076
REGULATION PLAN)	

O R D E R

The Commission, having reviewed the May 1, 1990 South Central Bell Telephone Company ("South Central Bell") filing of Schedules 1 and 2 for the February 28, 1990 point-of-test pursuant to South Central Bell's Revised Incentive Plan ("Incentive Plan") approved by the Commission in its Order entered September 30, 1988, finds that South Central Bell's filing complies with the provisions of the Incentive Plan and that an adjustment to decrease rates by \$2,516,000 is required.

South Central Bell's Schedule 1 income for the second point-of-test was \$95,190,000. This earnings level is based upon actual results for the 9-month period ending February 28, 1990 and estimated results for the 3-month period ending May 31, 1990. Based upon average total capital of \$757,987,000, South Central Bell's second point-of-test return on capital ("ROC") is 12.48 percent. The Incentive Plan provides that earnings greater than 12.07 percent ROC but less than 13.5 percent will be shared between the ratepayers and the company on a 50/50 percent basis.

Thus, in accordance with the Incentive Plan, there will be reduction in rates of \$2,516,641 as a result of the February 28, 1990 point-of-test.

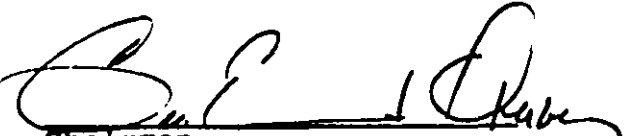
Pursuant to the February 28, 1990 point-of-test results, on May 1, 1990, South Central Bell filed a reduction in rates for Zone Charges to become effective June 1, 1990. The Commission finds that the rates proposed by South Central Bell are in accordance with existing reduction priorities and hereby approves the proposed rates, effective June 1, 1990. Accordingly, South Central Bell shall file revised tariff pages within 10 days from the date of this Order.

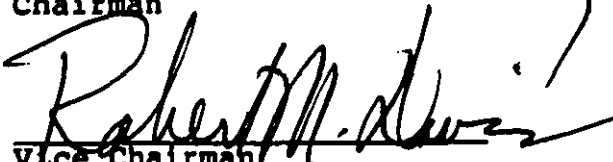
The Commission, in connection with its financial monitoring of the Incentive Plan, will review the financial records supporting South Central Bell's May 1, 1990 filing. Should any errors in actual results or major discrepancies in forecasting be found pursuant to this review, the Commission may require adjustments to South Central Bell's filing for the February 28, 1990 point-of-test.

BE IT SO ORDERED.

Done at Frankfort, Kentucky, this 25th day of May, 1990.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

ATTEST:


Executive Director


Commissioner